

Message Text

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ACTION EUR-25

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TAGS: ELAB, OECD

SUBJECT: MSA: INDUSTRIAL RELATIONS WORKING PARTY MEETING (WP).

MAY 22-24: " WAGE GAPS" STUDY

REF: (A) USOECD 6685

(B) USOECD A-85

DEPT PASS LABOR FOR USERY (FMCS), SEGALL AND CARPENTER,
CEA TREASURY; CIEP, STR

1. SUMMARY. INDUSTRIAL RELATIONS WP AT MAY 22 MEETING
WILL DISCUSS LONG- TERM PROGRAM, WHICH INCLUDES SECRETARIAT
PROPOSAL FOR " WAGE GAPS" STUDY. AS STATED IN REFERENCES,
MISSION BELIEVES MEETING OFFERS OPPORTUNITY FOR US TO SUPPORT
STUDY IF WE SO DESIRE, BUT WE ARE SKEPTICAL THAT
SECRETARIAT PROPOSAL HAS AS YET BEEN SUFFICIENTLY DEFINED.
TEXT OF SECRETARIAT PROPOSAL AND MISSION COMMENTS AND QUESTIONS
FOLLOW. ACTION REQUESTED: GUIDANCE SO WE MAY DISCUSS PROPOSAL
WITH SECRETARIAT WELL BEFORE MAY 22 MEETING.
END SUMMARY.
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2. ADVANCE COPY OF SECRETARIAT DOCUMENT (MS/ IR/73.10)
(POUCHED FMCS- USERY, LABOR- CARPENTER, AND STATE- KINNELLY)
INCLUDES FOLLOWING PROPOSAL CONCERNING " WAGE GAPS" FOR
INCLUSION IN LONG- TERM WORKING PROGRAM:
BEGIN TEXT

D. MULTI- NATIONAL CORPORATIONS. 20. THERE IS MUCH
DISAGREEMENT AMONG EXPERTS AS TO THE SIGNIFICANCE OF WAGE
GAPS AND OTHER INDUSTRIAL RELATIONS FACTORS AS A
DETERMINANT OF THE INVESTMENT POLICIES OF MULTI- NATIONAL
CORPORATIONS
AND OF INTERNATIONAL TRADE BALANCES. IF ANYTHING, HOWEVER,
THESE DISAGREEMENTS HAVE LED TO VIRTUAL UNANIMITY ON THE
PROPOSITION THAT THE RELEVANT FACTS ARE NOT AT HAND WITH
WHICH TO DECIDE THIS IMPORTANT ASPECT OF THE TOTAL PROBLEM
PRESENTED BY THE ACTIVITIES OF MULTI- NATIONAL CORPORATIONS.
21. THEREFORE, TO A DEGREE CONSISTENT WITH THE ORGANIZATION' S
FORTHCOMING DECISION AS TO THE SCOPE OF ITS EFFORT IN
THIS AREA, THE SECRETARIAT PROPOSES TO EMBARK UPON A STUDY
OF THE ENTIRE SUBJECT OF WAGE GAPS AMONG PRODUCERS OF CLOSELY
SIMILAR PRODUCTS IN VARIOUS OECD COUNTRIES. AN ATTEMPT
WILL BE MADE, FIRST, TO DETERMINE THE EXTENT OF
SUCH WAGE GAPS FOR IDENTICAL OCCUPATIONS IN A FEW INDUSTRIES,
ESPECIALLY THOSE INVOLVED IN INTERNATIONAL TRADE. THE
FEASIBILITY WILL ALSO BE DETERMINED OF UNDERTAKING A
LONGITUDINAL STUDY OF SUCH WAGE GAPS FOR A SIGNIFICANT
PERIOD IN THE PAST; THIS MAY THROW LIGHT ON CHANGING
PATTERNS OF PRODUCTION, AND HOW THEY DEVELOP. THIS
STUDY WILL BE A FOLLOW- UP TO ONE WHICH WILL PROBABLY BE INCLUDED
IN THE DRAFT PROGRAM FOR 1974.
END TEXT

3. WP IN SETTING LONG- TERM WORK PROGRAM WILL HAVE TO
SET PRIORITIES ON BROAD CHOICE OF POSSIBLE PROJECTS.
SUPPORT FOR " WAGE GAPS" STUDY HAS BEEN LIMITED, AT LEAST PARTLY
BECAUSE OTHER DELEGATIONS ARE UNCLEAR ABOUT ITS
OBJECTIVES AND SCOPE.

4. MISSION SEES SOME UTILITY IN PROPOSED STUDY, AND FAIR
POSSIBILITY WP WILL GIVE IT PRIORITY, IF IT IS CLEARLY DEFINED
AND PERSUASIVE RATIONALE CAN BE DEVELOPED.

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5. SEVERAL QUESTIONS OCCUR TO US IN THIS CONNECTION:
(A) " WAGE GAPS" SEEMS AT BEST A LIMITED CONCEPT, WHICH,
IF DEFINED LITERALLY, WOULD NOT LEAD TO VALID AND
USEFUL CONCLUSIONS. WHAT IN FACT SHOULD STUDY BE DESIGNED TO
MEASURE AND COMPARE? SHOULD IT BE WAGE LEVELS OR, AS SEEMS
PREFERABLE TO US, TOTAL LABOR COSTS? SECRETARIAT PROPOSAL REFERS

ALSO TO " OTHER INDUSTRIAL RELATIONS FACTORS," WOULD US WISH TO INCLUDE THEM? IF SO, HOW WOULD WE DEFINE THEM?

(B) LABOR COSTS, EVEN IF BROADLY DEFINED, SEEM TO BE ONLY PART OF PICTURE. TO REACH USEABLE CONCLUSIONS, SHOULD NOT STUDY PLACE EQUAL WEIGHT ON PRODUCTIVITY? (WE BELIEVE SUCH A STUDY MIGHT WELL BE OF CONSIDERABLE INTEREST TO US PRODUCTIVITY COMMISSION.)

(C) SECRETARIAT PROPOSAL INCLUDES STUDY UNDER HEADING " MULTI- NATIONAL CORPORATIONS." ACCEPTABILITY OF STUDY TO OTHER DELS MIGHT BE ENHANCED BY THUS RELATING IT TO ISSUE OF MNC' S. HOWEVER, DOES US ACCEPT THAT THIS IS VALID AS SCOPE FOR STUDY? IS OUR INTEREST IN EFFECT OF LABOR COSTS/ PRODUCTIVITY GAPS ON INTERNATIONAL INVESTMENT OR ON INTERNATIONAL TRADE OR ON BOTH?

(D) DEPENDING ON ANSWERS TO ABOVE QUESTIONS, WHAT INDUSTRIES WOULD US CONSIDER APPROPRIATE FOR GAPS STUDY?

6. WE THINK A NUMBER OF WASHINGTON AGENCIES ARE LIKELY TO BE INTERESTED IN SUCH A STUDY. WE WOULD APPRECIATE COMMENTS AS SOON AS POSSIBLE IN ORDER THAT WE MAY PREPARE FOR WP DISCUSSIONS BY CONSULTATIONS WITH SECRETARIAT AND OTHER DELS. BROWN

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